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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 10/15/08

1) Asahi poll: Aso Cabinet support rate rises a point to 42 PERCENT
, with non-support rate at 38 PERCENT (Asahi)

North Korea problem:

2) Prime Minister Aso in Upper House Budget Committee exchange
expresses dissatisfaction with U.S. removing North Korea from terror
blacklist (Yomiuri)

3) Main exchanges on North Korea issues in the Upper House Budget
Committee (Tokyo Shimbun)

4) Senior Foreign Ministry official in Washington to explain Japan's
position of not providing energy aid to North Korea (Mainichi)

5) Japan-South Korea summit meeting to take place on the sidelines
of ASEM in Beijing (Tokyo Shimbun)

Diet in session:

6) Amended anti-terror bill allowing continued MSDF refueling
service in Indian Ocean to pass the Diet at the end of the month
(Mainichi)

7) LDP secretary general hints at late November general election
(Asahi)

8) Name of candidate for deputy governor of Bank of Japan to finally
be presented to the Diet today (Nikkei)

9) Democratic Party of Japan (DPJ) continues to take a flexible
policy line in the Diet (Nikkei)

10) DPJ strengthening argument for early dissolution of the Diet,
now that the stock market is recovering (Tokyo Shimbun)

11) DPJ head Ozawa returns to the Diet from hospital ready to start
pushing for Diet dissolution again (Asahi)

12) Ozawa calls DPJ lawmaker Maeda's acceptance of large
contributions from pyramid scheme outfit "inappropriate" (Tokyo

Shimbun)

Economic measures:

13) Aso hints at issuing deficit bonds in order to fund part of proposed second supplementary budget to stimulate economy (Yomiuri)

14) Bill that would strengthen the financial system expected to pass the Diet this month (Nikkei)

Articles:

1) Poll: 42 PERCENT support rate for Aso cabinet, with 38 PERCENT non-support; 56 PERCENT oppose issuing deficit-covering government bonds

ASAHI (Page 4) (Full)
October 15, 2008

The Asahi Shimbun conducted a telephone-based opinion survey on Oct. 11-12, following the latest one on Oct. 4-5. The Asahi poll found that 42 PERCENT of respondents support the cabinet of Prime Minister Taro Aso, about the same level as the 41 PERCENT in the previous poll. The disapproval rate for the Aso cabinet slightly dropped to 38 PERCENT from the previous 42 PERCENT.

People were asked their opinion about the issuance of deficit-covering government bonds to fund a large-scale supplementary budget containing an economic stimulus package. Only 24 PERCENT supported such an issuance, while 56 PERCENT opposed it.

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When the Asahi asked in an August poll, before the global financial crisis became serious, about the issuance of deficit government bonds to stimulate the economy, 15 PERCENT approved, while 67 PERCENT disapproved.

Asked about whether to continue the Maritime Self-Defense Force's (MSDF) mission to refuel ships of the United States and other countries, 42 PERCENT said that it was necessary and another 42 PERCENT called it unnecessary.

Regarding which party to vote for if an election were held now, 32 PERCENT of respondents (33 PERCENT in the previous poll) said they would vote for the ruling Liberal Democratic Party (LDP) and 32 PERCENT (34 PERCENT in the previous poll) answered they would vote for the Democratic Party of Japan (DPJ).

Asked about what was the priority issue when choosing the party to vote for, 90 PERCENT said measures to stimulate the economy, 76 PERCENT picked the health insurance system for people aged 75 and older, and 75 PERCENT pointed to the pension-record mess. The percentages of the respondents who would vote for the LDP and DPJ were even.

2) Prime minister expresses dissatisfaction about U.S. removing North Korea from terrorism blacklist

YOMIURI (Page 2) (Full)
October 15, 2008

Prime Minister Taro Aso in yesterday's Upper House Budget Committee session made this comment regarding the delisting by the United States of North Korea as a state sponsor of terrorism: "The U.S. assertion to move the nuclear issue forward is understandable to some extent. But we have three problems: (abduction), nuclear programs, and missiles. We have clearly told (the United States) that we are dissatisfied with the delisting of North Korea as a state sponsor of terrorism."

Touching on Japan's policy toward the six-party talks that are expected to resume later this month, the prime minister also said: "We will naturally continue to strongly ask for the resolution of the abduction issue." Regarding energy aid to North Korea, he declared: "We will not respond to calls unless there is (progress)

on the abduction issue."

3) Main questions and answers on North Korea in Upper House Budget Committee session on Oct. 14

TOKYO SHIMBUN (Page 6) (Excerpts)
October 15, 2008

Gotaro Yoshimura of the Liberal Democratic Party: I am not convinced by the U.S. decision to delist North Korea as a state sponsor of terrorism.

Chief Cabinet Secretary Takeo Kawamura: We will strongly call for the establishment of a research committee with authority (a committee on reinvestigation into the victims of kidnapped by North Korea).

Prime Minister Taro Aso: We will call for the launching of a

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comprehensive investigation at an early date that would deliver results leading to the return of all existing abducted Japanese. I want to continue upholding the basic policy of normalizing diplomatic ties (between Japan and North Korea) after comprehensively resolving the abduction, nuclear, and missile issues and settling issues of the unfortunate past.

Seiichi Eto of the Liberal Democratic Party: What is your view of energy aid (to North Korea)?

Prime Minister: There will be no change in the government's policy of not taking part in economic and energy assistance programs under the six-party talks unless progress is made in Japan-DPRK relations, including the abduction issue.

Masayuki Naoshima of the Democratic Party of Japan: Does Japan simply have to accept the United States' decision to delist North Korea as a state sponsor of terrorism?

Prime Minister: The U.S. decision is understandable to some extent as a means to move the nuclear issue forward. We have told them clearly that we are dissatisfied with the delisting. It is Japan that will be most affected by (the North's) nuclear programs. Whether (the North's nuclear facilities) can be verified properly is a big question.

Naoshima: We will no longer be able to seek progress on the abduction issue by using the delisting as a bargaining chip.

Prime Minister: The six countries are expected to conduct a variety of talks. We will naturally continue strongly proposing talks on the abduction issue on those occasions.

Naoshima: I believe the verification of undeclared facilities is not possible without the North's consent.

Prime Minister: There seems to be a gap in views between the United States and North Korea on (how verification should be conducted). Obtaining assurance is essential. For the documentation of the process, it is important to carry out six-party talks.

Naoshima: What if (economic assistance by other countries) moves forward while leaving the question of undeclared facilities unresolved?

Prime Minister: I do not rule out the possibility of such a development. Even if Japan is asked (by other countries to expend money) and extend assistance, we will not go along with them.

4) In sub-cabinet-level meeting with U.S. and South Korea, Sasae explains that it is difficult for Japan to extend assistance to North Korea

MAINICHI (Page 2) (Full)
October 15, 2008

Kazuhiko Kusano, Washington

A Japan-U.S.-South Korea sub-cabinet-level meeting was held on Oct. 14 at the U.S. State Department to discuss a framework to verify the nuclear facilities declared by North Korea. Touching on Japan's energy assistance to North Korea, Deputy Foreign Minister Kenichiro

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Sasae explained Japan's position, saying: "Since there has been no progress on the issue of Japanese nationals abducted (by North Korea), (extending assistance) is difficult." The United States and South Korea showed understanding toward Japan's thinking, according to Sasae.

5) Japan-South Korea summit in Beijing envisioned

TOKYO SHIMBUN (Page 2) (Full)
October 15, 2008

The government started arrangements yesterday for the first meeting between Prime Minister Aso and South Korean President Lee Myung-bak on the sidelines of the Asia-Europe Meeting (ASEM) in Beijing on Oct. 24-25. This will be the first Japan-South Korean summit since President Lee visited Japan in April. The two leaders, having repaired bilateral ties strained by such issues as territorial claims to the Takeshima / Dokdo islets, are expected to confirm the need for the two countries' cooperation in dealing with the U.S.-triggered financial crisis.

Under the Fukuda administration, Japan and South Korea introduced a program of reciprocal visits by Fukuda and Lee on a regular basis, but the program has been suspended since South Korea reacted fiercely to the inclusion of a passage stating that Takeshima was Japan's territory in a teaching manual for school curriculum guidelines for middle schools in July.

Japan has been seeking a chance to swiftly improve the bilateral relationship, based on the judgment that "it is indispensable for Japan, South Korea, and China to send joint messages" over how to deal with North Korea's nuclear problem or the ongoing financial crisis, according to a senior Foreign Ministry official.

In the envisioned Japan-South Korea summit, the two leaders are expected to discuss the possibility of resuming talks on concluding a bilateral economic partnership agreement (EPA) to realize the Fukuda-proposed initiative of building a new era in Japan-South Korea relations. No EPA talks have been held since June.

6) Passage of new anti-terror bill expected at end of month

MAINICHI (Page 2) (Excerpts)
October 15, 2008

The possibility has become strong that the bill amending the new anti-terrorism special measures law that would continue refueling operations in the Indian Ocean will pass the Diet at the end of this month. The reason lies with the opposition camp's coming up with the view of seeking thorough debate of the bill in the Upper House. As a result, the view in the government and ruling camp has spread that it would be difficult from a timing standpoint to dissolve the Diet and call for a snap election in mid-November.

The Democratic Party of Japan (DPJ) at first had taken a stance of going along with an early passage of the amended new anti-terror special measures law. On the 14th, as well, party leaders and senior members confirmed that they would agree to the bill passing a plenary session of the Lower House of the Diet on Oct. 21. At that point, the ruling camp initially assumed that the Upper House would reject the bill on Oct. 24 and the bill would then be passed by a Lower House override vote.

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However, the DPJ was criticized by the other opposition parties that wanted thorough debate of the bill, so it switched its position to

one of not making a definite promise in the Upper House of passage of the legislation. As a result, the Diet affairs departments in the ruling parties judged that although the bill would be adopted by the Lower House, the outlook for the Upper House was not good. The ruling camp officials saw passage of the bill late in the month, at the earliest.

If a general election is called, this would make the possibility of it occurring in mid-November slim. The growing outlook in the ruling camp is that the election will be held either on Nov. 23, with Diet dissolution at the end of October, or on Nov. 30, with dissolution in early November. However, Prime Minister Taro Aso on Nov. 22-23 will likely be attending the APEC meeting in Peru. It is hardly conceivable that an election would be held on day that the Prime Minister is absent from the country.

7) LDP Secretary General Hosoda hints at general election in late November

ASAHI (Page 1) (Full)
October 15, 2008

Liberal Democratic Party (LDP) Secretary General Hiroyuki Hosoda held a news conference at the Foreign Correspondents' Club of Japan, in which he hinted at the possibility of a general election taking place in late November. The government and ruling parties plan to present a nominee for Bank of Japan deputy governor to the meetings today of party representatives in the two chambers of the Diet, taking preparatory steps for dealing with the financial crisis, as well as for an early dissolution of the House of Representatives.

In the government, Eiji Hirano, a director of Toyota Financial Services Group and former BOJ Policy Board member, has been floated a possible candidate for BOJ deputy governor. Prime Minister Taro Aso will make a decision late this month on when to dissolve the Lower House after closely watching the situation.

Hosoda said at the FCCJ:

"I have heard from Prime Minister Aso that the dissolution of the Lower House for a snap election at an early date is the best way to break the political deadlock (created by the divided Diet)."

Hosoda clearly stated that there was no change in Aso's intention to dissolve the Lower House as early as possible. Asked whether the snap election would be held the last week of November, he said: "I think there are many similarities between media speculation and my thinking." He hinted that there could be a general election in late November.

8) Government to present nominee for deputy BOJ governor today:
Urges DPJ to cooperate

NIKKEI (Page 2) (Excerpts)
October 15, 2008

In order to help address the global financial crisis, the government will present to the Diet today the name of a candidate to fill one of the two deputy governor positions at the Bank of Japan, a post that has long been vacant and requires Diet approval. It will also

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aim at securing Diet approval before the end of the month for a bill amending the Financial Function Early Strengthening Law designed to reinstate the injection of public money into regional financial institutions. With an eye on an early dissolution of the Lower House and a snap election, the government and the ruling camp want to take the initiative in addressing the financial crisis that started in the U.S. by urging the DPJ to cooperate in passing several important pieces of legislation.

Chief Cabinet Secretary Takeo Kawamura will present the proposal for deputy BOJ governor at a joint meeting of representatives of the Diet Steering Committees of the Upper and Lower Houses to be held at noon on the 15th. LDP Diet Affairs Committee Chairman Tadamori Oshima on the evening of the 14th met with his DPJ counterpart Kenji

Yamaoka and asked him to consider the proposal immediately and give a nod to it.

Prime Minister Taro Aso on the evening of the 14th met with BOJ Governor Masaaki Shirakawa alone at the Katei. Emerging from the meeting, Aso told reporters, "The timing is good. I do not think that the DPJ will oppose the government's proposal, because they are well aware of the current financial situation." More than one government source said, "The Prime Minister wants the BOJ to nominate one of its officials."

Oshima during a meeting of chairmen of the Diet Affairs Committee of the ruling parties on the 14th gave this outlook, "The DPJ has never opposed the selection of a deputy BOJ governor. The government proposal will be approved without problems." One government source took this view: "A person other than a former Finance Ministry official will be picked. The government cannot possibly present a controversial personnel proposal."

9) DPJ likely to continue its flexible policy

NIKKEI (Page 2) (Excerpts)
October 15, 2008

DPJ President Ichiro Ozawa on October 14 held a meeting at the party headquarters with senior officials, such as Secretary General Yukio Hatoyama, Azuma Koshiishi, head of the DPJ caucus in the Upper House, and others. Participants confirmed a policy of once gain discussing how to respond to government proposals for the selection of deputy Bank of Japan governor and measures to address the financial crisis. There is a strong possibility of the party continuing its flexible approach without taking a resistance tactics, including prolonging Diet deliberations, with the determination that dissolution of the Lower House for a snap election must not be delayed.

Hatoyama at a meeting of DPJ members held in Tokyo on the evening of the 14th said, "We would like to deal with issues which the public wants to see handled urgently in an adult-like manner."

10) With stock market recovering, calls growing in DPJ for confrontational stance to force early Lower House dissolution

TOKYO SHIMBUN (Page 2) (Excerpts)
October 15, 2008

A growing view in the Democratic Party of Japan (DPJ) is for the party to switch policy gears and take a confrontational stance

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against the ruling coalition after Oct. 21, when a bill amending the New Antiterrorism Special Measures Law is expected to clear the House of Representatives. Behind such calls is the desire to force Prime Minister Aso to dissolve the Lower House for a snap election at an early date. Seeing that Tokyo stock market rebounded sharply yesterday, party members now judge there would be no major obstacle to such, even if additional economic stimulus measures being planned by the prime minister are worked out as emergency measures to ease financial unrest.

President Ichiro Ozawa, Deputy President Naoto Kan, Secretary General Yukio Hatoyama, and other executive members met last evening and decided to reach a conclusion quickly on what approach they should take in the Diet once the amended anti-terror law passes the Lower House.

11) No change in Ozawa's strategy of forcing early Lower House election in Upper House

ASAHI (Page 4) (Full)
October 15, 2008

Despite deep concerns about the impact of the global financial crisis on Japan's real economy, Democratic Party of Japan (DPJ) President Ichiro Ozawa intends to seek an early dissolution of the House of Representatives, arguing that political change is the best

way to stimulate the economy. The DPJ plans to strengthen "dissolution pressure" at the House of Councillors Budget Committee, which started deliberations yesterday, so as not to be affected by the prevailing view in the Liberal Democratic Party (LDP) for pushing back Lower House dissolution.

At a press conference yesterday, Ozawa revealed his prediction that the Lower House would be dissolved soon, saying:

"I think the public probably would not accept the LDP holding a general election for its own convenience. The election is just around the corner. I want our party members to do their best with that in mind."

Ozawa criticized Prime Minister Taro Aso's article that hinted at Lower House dissolution at the outset of the extraordinary Diet session. He stated: "For a person who sits in the seat of power, his words are too casual."

After checking out of the hospital yesterday afternoon, Ozawa went to party headquarters to coordinate candidates in electoral districts, meeting with candidates-to-be. Even while he was in hospital (for a bad cold), he analyzed the results of the pre-election poll by the DPJ and he also urged by phone secretaries being sent all over the country to do their best.

12) Ozawa calls DPJ member Maeda's receipt of donations from pyramid scheme operators "inappropriate"

TOKYO SHIMBUN (Page 2) (Full)
October 15, 2008

It has been revealed that two political organizations that support Yukichi Maeda, a lawmaker of the Democratic Party of Japan (DPJ), received a huge amount of money as Maeda's lecture fees and political donations from pyramid scheme operators and another group.

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President Ichiro Ozawa commented on this problem in a press conference yesterday: "It is quite inappropriate that he received money (lecture fees) from a company that was ordered to suspend business." Maeda is a House of Representatives member elected in the Tokai region proportional representation block.

Ozawa will ask Maeda today about the details of the case. In the press conference, Ozawa said: "Upon hearing Mr. Maeda's explanation, we would like to determine as soon as possible what our party should take to secure (public) trust."

13) Prime Minister Aso hints at increasing issuance of deficit bonds in second supplementary budget; Reduction in corporate tax revenues expected

YOMIURI (Page 2) (Excerpt)
October 15, 2008

Prime Minister Aso in the Upper House Budget Committee yesterday hinted at the possibility of increasing the issuance of deficit bonds in the second supplementary budget to supplement an expected reduction in corporate tax revenues. He gave this outlook regarding the impact of the financial crisis that started in the United States: "Revenues from the corporate tax will drop severely." However, he stressed "I basically do not want to issue deficit bonds" to fund the additional economic stimulus package that will form the pillar of the second supplementary budget.

14) Government expects DPJ to cooperate on passage of amendment to Financial Function Early Strengthening Law

NIKKEI (Page 2) (Almost full)
October 15, 2008

The government and the ruling parties will likely adopt an amendment to the Financial Function Early Strengthening Law after the summit of the Asia-Europe Meeting (ASEM) to be held in Beijing on October 24-25. They intend to ask for cooperation from the DPJ in the hope

that Diet deliberations will start right after the summit and the bill will be enacted before the end of the month.

With the acceleration of efforts to put on a package of additional economic stimulus measures to address the global financial turmoil, the focus is now shifting to tax-cut measures.

LDP Policy Research Council Chairman Kosuke Hori and Hakuo Yanagisawa, president of the Financial Crisis Addressing Project Team, on the afternoon of the 14th met with Tax System Research Commission Chairman Yuji Tsushima. They agreed to incorporate into the package a policy of looking into the following measures during an annual tax code revision at the end of the year: (1) Extending the current preferential tax system for securities; (2) expanding the housing loan tax cut; and (3) expanding items eligible for the capital investment tax cuts.

The bill on a supplementary budget, which will finance the comprehensive economic stimulus package, was enacted on the 16th. A bill aimed at extending Japan's refueling operations in the India Ocean will likely clear the Lower House on the 21st. What approach the DPJ will make during Upper House deliberations is unclear. However, there is the possibility that the bill will be enacted as early as the 29th. Prospect now look brighter for the top priority

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issue in the extraordinary Diet session.

The view is strong that once specifics of additional economic stimulus measures are fixed, the environment for the prime minister to reach a final decision on when to dissolve the Lower House for a snap election will be readied.

One senior official of the LDP Policy Research Council took this view: "The prime minister told me that the compilation of the package of additional economic stimulus measures can wait until the final week of October. If the Lower House is dissolved in late October, the additional stimulus measures will serve as a manifesto for the Lower House election."

SCHIEFFER